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BEFORE

SENATE FOREIGN RELATIONS COMMITTEE
SUBCOMMITTEE ON EAST ASIAN AND PACIFIC AFFAIRS

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CURRENT STATE OF U.S.-SINO RELATIONS

Mr. Chairman, I very much appreciate the opportunity to come before this committee to discuss with you the current state of U.S.-China relations.

U.S. National Interest

One of the world's great civilizations, China has only in recent years begun to play a role on the world stage commensurate with its historical achievements. The economic reforms that Deng Xiaoping introduced and his policy of opening up China to the outside world have led to enormous economic progress and increasing social liberalization. The world's most populous nation and third largest in land mass, China is now also emerging as a world power. As such, it has a major and growing impact on fundamental U.S. national interests. The challenge now and in the future is to manage relations with China to serve and protect the broad range of U.S. interests. The reasons for China's importance are clear:

- China is one of the five declared nuclear weapons states and is a growing military power.
- China's economy is expected to continue to grow at a rate of between 8-10 percent per year through the year 2000.
- China's role in global trade has mushroomed: China purchased about \$9.3 billion in U.S. goods and services in 1994; and the China market will continue to be important for U.S. business and jobs.
- China's status as one of the "Perm Five" members of the UN Security Council with veto power gives it influence in dealing with major global issues like resolutions dealing with international weapons proliferation, peacekeeping, and sanctions against Iraq and Libya.

-- China plays a key role in regional security

... .. issue, Spratlys, and Cambodia.

- And finally, China's cooperation is essential on a range of bilateral and global issues, including interdicting drug trafficking, repatriating illegal Chinese migrants from alien smuggling ships, and protecting the environment.

-2-

This Administration believes that the U.S. national interest is best served by developing and maintaining constructive relations with a China which is strong, stable, open, and prosperous. We work to further integrate China into the international community so that China will increasingly see its interests served by adherence to international norms, whether the issue is human rights, non-proliferation, or trade.

Comprehensive Engagement

It is in this context that the President approved in September 1993 a strategy of "comprehensive engagement" with China. The purpose of this strategy can be simply stated:

- To pursue all of our interests at the levels and intensity required to achieve results;
- To seek to build mutual confidence and agreement in areas where our interests converge; and
- Through dialogue, to reduce the areas in which we have differences.

This strategy is consistent with the policies of the past five Administrations, all of which recognized that while there would necessarily be differences between two great countries with vastly different political and social systems, it was necessary to pursue constructive relations with China now and in the future.

While we continue to have differences over trade, human rights, and non-proliferation, we believe our engagement strategy has succeeded not only in helping to advance U.S. interests with China, but also in encouraging China's continued integration into the international community. Let me remind you of a few achievements over the past year:

- Following high-level consultations with us last October, China re-affirmed its commitment to the Missile Technology Control Regime (MTCR). China agreed that it would not export ground-to-ground, MTCR-class missiles, a commitment that goes beyond the obligations of the MTCR.
- China agreed to cooperate on establishing an international convention to end the production of fissile materials for nuclear weapons purposes.
- China had agreed to hold further talks on non-proliferation issues -- missiles and the MTCR, nuclear cooperation, and export controls. However, these talks have been cancelled, casualties of very recent frictions over Taiwan policy.

-3-

- China participated in the consensus on unconditional extension of NPT and pledged to join a CTBT next year. It has, however, declared that it will complete a series of tests prior to then.
- China has continued to be a quiet, but cooperative partner in helping resolve the North Korean nuclear issue and to join us in continuing efforts to support the transition to a democratically elected government in Cambodia.
- In March, we reached an IPR agreement to protect billions of dollars in U.S. business, as well as another agreement that will create more opportunities for U.S. agricultural exporters to China.
- Deals worth billions of dollars in business were struck during the visits of Secretaries Brown and O'Leary.
- We held the first-ever bilateral military transparency briefings.
- We've had cooperation on alien smuggling-related ventures. Since 1993, for example, we have returned more than 3,000 Chinese aliens from 14 smuggling ships. Last week, however, the Chinese told us they would not accept the return of 160 Chinese migrants on an alien smuggling ship in the Pacific unless the Chinese nationals were repatriated from U.S. territory.
- Meanwhile, inside China, popular support for economic reform continues. There has been some progress toward legal reform and rule of law, and evidence of elections at local levels in some regions of China.
- Many of our initiatives with China have been stalled since the Lee Teng-hui visit, due to China's assertion that the visit violated the fundamental principles of the three Joint U.S.-PRC Communiqués. Engagement, however, is a strategy that works over the long term as well as the short term.

Human Rights

The United States continues to have very serious concerns about human rights abuses in China. We have not seen the kind of progress we would like on human rights in China over the past year. The recent re-arrest of dissident Chen Ziming, who was released last year on medical parole, is just the latest example of Beijing's continued defiance of internationally-recognized norms in this area. At the same

rights related initiatives announced by President Clinton in May 1994. We received the welcome news earlier this week that dissident Yang Zhou was released on medical parole.

-4-

We have pursued an active bilateral human rights dialogue with the Chinese. The seventh round took place in Beijing January 13-15, 1995. We again raised our core issues of concern -- freedom of speech, association and religion and the treatment of prisoners and persons detained by the government in these dialogues, but also sought to broaden and make more substantive our engagement with the Chinese on rule of law issues and legal exchanges. We are also increasing our support for American NGOs that are working to promote a stronger civil society in China.

We have also continued our efforts to work for improvements in the human rights situation in China in multilateral fora. We joined with the E.U., Japan, and a number of other countries to introduce and pass a China resolution at the UNHRC in Geneva. In spite of intense Chinese lobbying, we and the co-sponsors, were able to defeat China's procedural motion to block the resolution. For the first time in five years, the resolution came to the floor. Although it was defeated -- by only a single vote -- the resolution sent a strong signal that China's human rights practices are of global, not just bilateral, concern. Furthermore, the vote laid down a marker that no country can avoid scrutiny of its human rights practices by the international community.

Thanks to their already high standards for international business practices, American businesses have become the employer of choice in China. Through their everyday operations, they are quietly contributing to the transformation of Chinese society. We have been consulting with U.S. businesses, human rights NGOs, Congress, and labor organizations on the development of a set of voluntary business principles for use in China and elsewhere in the world. These principles were informally released March 27 at the White House; consultations continue to further develop the principles and the plan for their implementation.

Since the beginning of the reform period in 1979, the lives of China's 1.2 billion people have steadily improved. Even though we have serious human rights problems, the long term trend, and let me emphasize long term, is positive.

MFN and Economic Interests

We are pleased that the House voted to support the President's decision to extend Most-Favored Nation (MFN) status for China. Congressman Bereuter's initiative was key to the outcome of the vote and is very much appreciated, although the Administration neither supported nor opposed the China Policy Act bill.

MFN is essential to maintain

renew China's MFN status last year, the primary question was how the United States could best advance human rights and other vital interests in China. The President decided that extending

-5-

MFN would promote broad engagement between the U.S. and China, not only through economic relations but through cultural, educational, and other contacts. These contacts, combined with vigorous efforts to promote human rights, are more likely to encourage constructive change in China.

Trade is not just a means of producing wealth, but is also a conduit through which U.S. concepts and ideals filter into the consciousness of all Chinese. In the long run, opening markets for America's idea industries -- movies, CDs, software, television -- and for products that make international communications easier -- such as fax machines and computers that are linked to the Internet -- may contribute as much to the improvement of human rights in China as all of our direct, government-to-government efforts combined.

To date, Beijing appears to have sought to insulate business and commercial affairs from the recent downturn in the overall bilateral relationship. The loss of access to the U.S. market, however, would leave China with little incentive to cooperate with us in all aspects of our bilateral, regional and global foreign policy agenda. This was also a key consideration in the President's decision to renew China's MFN status and preserve our increasingly important trade links with China.

China's economic progress has dazzled the world with its speed. Although growth is still uneven -- and this could be the source of future problems for China -- most scholars agree the long-term economic outlook for China is positive. The World Bank has estimated China's GNP will grow at 8 - 10 percent per year.

Following the introduction of market-oriented reforms, China has enjoyed one of the fastest economic growth rates in the world. The potential for expanded business and trade is vast. Major firms in many leading U.S. export sectors -- including agriculture, aircraft assembly, and power generation equipment -- believe that an expanded presence in China is key to their long-term, global marketing strategies. These companies face stiff competition from other international suppliers. Other governments routinely provide political and financial support for their own companies' activities in China.

We must remain actively engaged in this critical market. There is no rational alternative. In the future, our trade with China will be a vital source of export revenues and jobs.

While great, much of China's market potential is at this time still unrealized. U.S. firms face myriad visible and invisible barriers to their efforts to do more business in China. In 1994, our bilateral trade deficit with China was nearly \$30 billion -- second only to our trade deficit with Japan. This is clearly unsustainable. A central tenet of this

barriers in a way that will allow U.S. exporters to compete in the Chinese market on a fair and equitable basis. This effort, too, requires that we remain actively and constructively engaged with the Chinese government.

-6-

Through hard work in bilateral trade talks, we have in recent years made considerable progress toward opening up China's market and ensuring that trade is equitable and based on the rule of law. We have also worked very hard with China and our other trading partners on China's efforts to join the World Trade Organization. A new round of bilateral and multilateral talks will begin this Friday in Geneva.

Incorporating all of the Uruguay Round agreements, the WTO covers a much broader spectrum of international trade than the original GATT. When completed, China's accession to the WTO will open up many more commercial opportunities for U.S. suppliers of both goods and services.

Non-Proliferation

Since the 1970s, China's position on international efforts to stop the proliferation of weapons of mass destruction has shifted. China, which used to oppose automatically such efforts for ideological reasons, now supports many non-proliferation initiatives.

China is a significant producer of nuclear, chemical and missile-related equipment, materials and technology. Since China is a major player in the international arms world, Chinese observance of the multilateral proliferation regimes is necessary to halt the spread of weapons of mass destruction and missiles. Proliferation is a high-level concern in our dealings with Beijing, and comprehensive engagement has helped us to move ahead on several fronts with the Chinese in this very important area of U.S. national interest.

We continue to work with the Chinese to bring their policies into line with prevailing world standards on the full range of nuclear and conventional weapons proliferation issues. As is the case in most issues with China, we are making varying degrees of progress in these endeavors.

China joined with the United States to support the indefinite extension of the NPT at the NPT review conference held earlier this year. We regret that China has continued its nuclear tests and have called on Beijing to stop its testing program immediately. We have also welcomed China's pledge to join the CTBT and cease nuclear testing in 1996.

With respect to recent press stories about missile technology transfers by China to Pakistan or Iran, we do not, as you know, publicly discuss the alleged content of intelligence reports or analyses. We take all reports of alleged proliferation activities seriously. We will continue to review information as it becomes available in order to apply

now. We hope, however, to continue talks in the future and to build on the gains we have made in the recent past.

-7-

Taiwan

In recent months, Taiwan has again emerged as a principal bilateral issue between the United States and China. Since 1979, we have consistently declined to play an active role in shaping the future between Beijing and Taipei. We insist only that any resolution to the situation be achieved through peaceful means. Our actions regarding Taiwan have all been designed to serve that end. The result has been a burgeoning of economic, cultural and social ties between Taiwan and the mainland, with benefits accruing to both sides. In our view, this process is the best hope for a peaceful resolution of the differences between the two sides, and we must carefully avoid any action on our part that damages or disrupts it.

Taiwan is of course changing. The people on Taiwan, with the energy characteristic of the citizens of a new democracy, are seeking greater recognition and respect from the international community -- and the government in Beijing -- for their economic and political achievements, and are increasingly unwilling to accept the status quo. This Administration believes that Taiwan's achievements should be acknowledged. That was one of the goals of our policy adjustments last September. We realize that many people both here and on Taiwan were dissatisfied with the results of that exercise, but our aim was to facilitate and to rationalize a number of the elements of our unofficial relationship with Taiwan while preserving the peace and stability which has proven so beneficial to all parties concerned.

It was not and is not, however, the objective of this Administration to preclude the eventual political reunification of Taiwan with the mainland -- we do not seek, in the words of the Chinese, to create "two Chinas" or "one China, one Taiwan." We continue to adhere to the framework under which we normalized relations with the PRC: The United States of America recognizes the Government of the People's Republic of China as the sole legal government of China and acknowledges the Chinese position that there is but one China and Taiwan is part of China. Abandonment of this fundamental element of our policy would not only endanger our relationship with China but also threaten the security and stability of the whole East Asian region. The Administration's decision to admit Lee Teng-hui for an expressly private purpose does not change our basic policy.

Nonetheless, as a result of that decision, our relationship with China has entered a very difficult period. The Chinese have strongly reacted to the private visit of Lee Teng-hui, head of the governing authorities on Taiwan, to his alma mater Cornell University last month, calling it a grave violation of the three Joint Communiqués and of our commitment since 1972 to

of their Ambassador for an indefinite period of time, as well as the cancellation of all scheduled visits and talks touching on non-proliferation and security matters.

-8-

We also note the postponement of cross-Strait talks between China and Taiwan. We hope that the talks will be rescheduled soon as they are useful in furthering stability in the Strait area.

The strong Chinese reaction to the Lee visit reflects in part the perception of many in China that the U.S. -- and by this I mean both the Administration and the Congress -- is trying to foster an independent Taiwan as part of an effort to "contain" China and to prevent it from fully assuming a role as a great power. Nonetheless, as we have consistently stated, U.S. policy remains unchanged. We seek to engage China, not contain it, on a wide variety of issues of mutual concern, while at the same time we develop unofficial relations with the people of Taiwan.

The Arrest of Harry Wu

U.S.-China relations have been further complicated by the arrest of American citizen and human rights activist Harry Wu. We and other friendly nations strongly protested the Chinese Government's delay in permitting us access to Harry Wu, a violation of the U.S.-China bilateral consular agreement. We succeeded, however, in gaining consular access to him; the Consul General met with Wu on July 8 in Wuhan and ensured that he was well treated. We are continuing our diplomatic efforts to seek Mr. Wu's immediate release.

Beijing Women's Conference

Another key, ongoing issue is the upcoming Fourth World Conference on Women. For this conference, some 45,000 people from around the world will gather in Beijing on September 4-15. We have raised with the Chinese, in their role as the hosts, a number of issues which are key to making this international conference a success. U.S. participation in the Beijing Conference will ensure that American women and men will have a voice in an international forum on issues affecting the lives of women into the 21st century. The First Lady is the honorary chair of our delegation. No decision, however, has yet been made regarding her attendance at the Conference.